Kagisano-Molopo Local Municipality

Financial statements
for the year ended June 30, 2019

Auditor General South Africa (AGSA)

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Kagisano-Molopo Local Municipality mandate is: - to provide democratic and accountable government for local communities; - to ensure the provision of services to communities in a sustainable manner; - to promote social and ecomomic development; - to promote a safe and healthy environment; - to encourage the involvement of communities and community organisations in the matters of local government
LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
MAYORAL COMMITTEE	
Executive committee members	SV Mere (Mayor) SR Modise (Speaker) TM Lenkopane (Member) JK Botha (Member) LE Gaobepe-Boemo (Member) GK Nthebotsenyane (Member)
Councillors	BR Bareng MM Diphikwe KI Gabe TZ Baakanyang JM Grobbelaar BE Gender GF Selebogo PP Moeng TM Lenner TC Loabile KS Moreki BB Makwati TE Matsietso KN Sekopecwe NJD Muller TM Olaotswe MM Seeletso OM Serame TJ Thetswe MJ Moreki SO Lekgari KE Lenkopane (Resigned) KG Ogaseng

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY	Grade 2

GENERAL INFORMATION

CHIEF FINANCE OFFICER (CFO)	R Ferris (Acting)
ACCOUNTING OFFICER	OT Bojosinyane
REGISTERED OFFICE	Municipal Offices next to Ganeysa Clinic Chief Block - Tlhakagameng Road Ganyesa 8613
BUSINESS ADDRESS	Municipal Offices next to Ganeysa Clinic Chief Block Section Ganyesa 8613
POSTAL ADDRESS	Private Bax X522 Ganyesa 8613
BANKERS	ABSA
AUDITORS	Auditor General South Africa (AGSA)

INDEX

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on August 30, 2019 and were signed on its behalf by:

OT Bojosinyane
Accounting Officer

ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended June 30, 2019.

1. INCORPORATION

The municipality was incorporated on 12 December 2011 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

Net deficit of the municipality was R 16,165,996 (2018: deficit R 15,882,996), after taxation of R - (2018: R -)

3. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. ACCOUNTING POLICIES

The financial statements were prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. ACCOUNTING OFFICER

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
OT Bojosinyane	South - African

6. CORPORATE GOVERNANCE

GENERAL

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a regular basis.

COUNCIL MEETINGS

The accounting officer has met on several occassions with the council during the financial year. The accounting officer schedules to meet at least four times per annum.

7. AUDITORS

The Auditor General South Africa will continue in office for the next financial period.

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	6&9	193,446	120,619
Receivables from non-exchange transactions	7&9	18,881,109	11,082,281
VAT receivable	8	8,831,614	3,911,722
Cash and cash equivalents	10	38,515,046	38,607,327
		66,421,215	**53,721,949**
Non-Current Assets			
Investment property	3	43,260,729	52,527,729
Property, plant and equipment	4	477,024,788	474,929,454
Intangible assets	5	542,878	668,896
		520,828,395	**528,126,079**
Total Assets		**587,249,610**	**581,848,028**
Liabilities			
Current Liabilities			
Finance lease obligation	11	108,268	1,228,240
Payables from exchange transactions	14	45,829,646	17,661,773
Unspent conditional grants and receipts	12	9,455,786	15,213,023
Provisions	13	20,073,135	19,613,419
		75,466,835	**53,716,455**
Non-Current Liabilities			
Finance lease obligation	11	-	108,268
Provisions	13	1,191,843	1,113,078
		1,191,843	**1,221,346**
Total Liabilities		**76,658,678**	**54,937,801**
Net Assets		**510,590,932**	**526,910,227**
Accumulated surplus		510,590,932	526,910,227

* See Note 39 & 38

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	16	1,125,781	1,288,355
Interest received (trading)		966,357	697,087
Other income	17	458,796	817,149
Interest received - investment	18	3,074,147	3,203,131
Total revenue from exchange transactions		**5,625,081**	**6,005,722**
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	19	27,049,540	19,052,119
TRANSFER REVENUE			
Government grants and subsidies	21	154,704,641	139,080,673
Total revenue from non-exchange transactions		**181,754,181**	**158,132,792**
Total revenue	15	**187,379,262**	**164,138,514**
Expenditure			
Employee related costs	23	(33,507,086)	(30,064,187)
Remuneration of councillors	24	(11,355,084)	(10,881,509)
Depreciation and amortisation	25	(25,443,991)	(25,078,186)
Impairment loss/ Reversal of impairments	26	(3,755,721)	-
Finance costs	27	(292,290)	(269,051)
Debt Impairment	28	(5,672,147)	(5,162,853)
Repairs and maintenance	47	(2,224,163)	(2,742,867)
Contracted services	29	(34,087,057)	(43,985,880)
Transfers and subsidies	20	(2,182,297)	(2,318,960)
General expenses	30	(57,714,191)	(61,497,866)
Total expenditure		**(176,234,027)**	**(182,001,359)**
Operating surplus (deficit)		**11,145,235**	**(17,862,845)**
Loss on disposal of assets and liabilities		(18,044,231)	(216,125)
Fair value adjustments	31	(9,267,000)	2,195,974
		(27,311,231)	**1,979,849**
Deficit for the year		**(16,165,996)**	**(15,882,996)**

* See Note 39 & 38

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	505,438,913	505,438,913
Adjustments		
Prior year adjustments	37,354,310	37,354,310
Balance at July 1, 2017 as restated*	**542,793,223**	**542,793,223**
Changes in net assets		
Surplus for the year	(15,882,996)	(15,882,996)
Total changes	(15,882,996)	(15,882,996)
Opening balance as previously reported	526,910,230	526,910,230
Adjustments		
Prior year adjustments	(153,302)	(153,302)
Restated* Balance at July 1, 2018 as restated*	**526,756,928**	**526,756,928**
Changes in net assets		
Surplus for the year	(16,165,996)	(16,165,996)
Total changes	(16,165,996)	(16,165,996)
Balance at June 30, 2019	**510,590,932**	**510,590,932**

Note(s)

* See Note 39 & 38

CASH FLOW STATEMENT

	Note(s)	2019 R	2018 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property rates		27,049,540	19,052,119
Rental of properties		2,478,107	1,348,035
Grants		141,148,576	157,389,072
Interest income		3,074,147	3,203,131
		173,750,370	180,992,357
Payments			
Employee costs		(44,862,170)	(40,945,696)
Suppliers		(72,421,242)	(106,047,271)
Finance costs		(209,816)	(64,791)
Lease payments		(82,474)	(204,260)
		(117,575,702)	(147,262,018)
Net cash flows from operating activities	33	**56,174,668**	**33,730,339**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(27,198,858)	(20,648,855)
Proceeds from sale of property, plant and equipment	4	-	5,470,054
Purchase of other intangible assets	5	(45,431)	(374,816)
Other cash item: work in progress on assets		(27,711,946)	(11,936,323)
Net cash flows from investing activities		**(54,956,235)**	**(27,489,940)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(1,310,714)	(6,798,752)
Finance lease receipts		-	-
Net cash flows from financing activities		**(1,310,714)**	**(6,798,752)**
Net increase/(decrease) in cash and cash equivalents		**(92,281)**	**(558,353)**
Cash and cash equivalents at the beginning of the year		38,607,327	39,165,680
Cash and cash equivalents at the end of the year	10	**38,515,046**	**38,607,327**

* See Note 39 & 38

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rental of facilities and equipment	1,600,000	-	**1,600,000**	1,125,781	**(474,219)**	48 A
Interest received (trading)	-	-	-	966,357	**966,357**	48 B
Other income	185,000	-	**185,000**	458,796	**273,796**	48 C
Interest received - investment	1,550,000	-	**1,550,000**	3,074,147	**1,524,147**	48 D
Total revenue from exchange transactions	**3,335,000**	**-**	**3,335,000**	**5,625,081**	**2,290,081**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	17,618,000	10,190,000	**27,808,000**	27,049,540	**(758,460)**	48 E
TRANSFER REVENUE						
Government grants and subsidies	123,580,000	-	**123,580,000**	154,704,641	**31,124,641**	48 F
Transfers recognised - capital	29,521,000	-	**29,521,000**	34,759,809	**5,238,809**	48 G
Total revenue from non-exchange transactions	**170,719,000**	**10,190,000**	**180,909,000**	**216,513,990**	**35,604,990**	
Total revenue	**174,054,000**	**10,190,000**	**184,244,000**	**222,139,071**	**37,895,071**	
EXPENDITURE						
Personnel	(34,396,000)	-	**(34,396,000)**	(33,507,086)	**888,914**	48 H
Remuneration of councillors	(11,782,000)	-	**(11,782,000)**	(11,355,084)	**426,916**	48 I
Depreciation and amortisation	(27,390,000)	-	**(27,390,000)**	(25,443,991)	**1,946,009**	48 J
Assets written / Reversal of assets written off	-	-	-	(3,755,721)	**(3,755,721)**	48 K
Finance costs	(250,000)	-	**(250,000)**	(292,290)	**(42,290)**	48 L
Debt Impairment	(1,300,000)	-	**(1,300,000)**	(5,672,147)	**(4,372,147)**	48 M
Repairs and maintenance	(8,080,000)	-	**(8,080,000)**	(2,224,163)	**5,855,837**	48 N
Contracted services	(32,097,000)	(537,000)	**(32,634,000)**	(34,087,057)	**(1,453,057)**	48 O
Transfers and subsidies	-	-	-	(2,182,297)	**(2,182,297)**	48 P
General expenses	(63,794,000)	(6,343,000)	**(70,137,000)**	(57,714,191)	**12,422,809**	48 Q
Total expenditure	**(179,089,000)**	**(6,880,000)**	**(185,969,000)**	**(176,234,027)**	**9,734,973**	
Operating surplus	**(5,035,000)**	**3,310,000**	**(1,725,000)**	**45,905,044**	**47,630,044**	
Loss on disposal of assets and liabilities	-	-	-	(18,044,231)	**(18,044,231)**	48 R
Fair value adjustments	-	-	-	(9,267,000)	**(9,267,000)**	48 S
	-	**-**	**-**	**(27,311,231)**	**(27,311,231)**	
Surplus before taxation	**(5,035,000)**	**3,310,000**	**(1,725,000)**	**18,593,813**	**20,318,813**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(5,035,000)**	**3,310,000**	**(1,725,000)**	**18,593,813**	**20,318,813**	
STATEMENT OF FINANCIAL POSITION						
ASSETS						
CURRENT ASSETS						
Receivables from non-exchange transactions	650,000	-	**650,000**	18,881,109	**18,231,109**	48 T
VAT receivable	-	-	-	8,831,614	**8,831,614**	48 U
Cash and cash equivalents	15,000,000	-	**15,000,000**	38,515,046	**23,515,046**	48 V
	15,650,000	-	**15,650,000**	**66,227,769**	**50,577,769**	
NON-CURRENT ASSETS						
Investment property	-	-	-	43,260,729	**43,260,729**	48 W
Property, plant and equipment	970,284,000	-	**970,284,000**	477,024,788	**(493,259,212)**	48 X
Intangible assets	-	-	-	542,878	**542,878**	
	970,284,000	-	**970,284,000**	**520,828,395**	**(449,455,605)**	
Total Assets	**985,934,000**	-	**985,934,000**	**587,056,164**	**(398,877,836)**	
LIABILITIES						
CURRENT LIABILITIES						
Finance lease obligation	-	-	-	108,268	**108,268**	
Payables from exchange transactions	3,936,000	-	**3,936,000**	45,829,645	**41,893,645**	48 Y
Unspent conditional grants and receipts	-	-	-	9,455,786	**9,455,786**	48 Z
Provisions	21,585,000	-	**21,585,000**	20,073,135	**(1,511,865)**	48 AA
	25,521,000	-	**25,521,000**	**75,466,834**	**49,945,834**	
NON-CURRENT LIABILITIES						
Provisions	-	-	-	1,191,843	**1,191,843**	48 AB
Total Liabilities	**25,521,000**	-	**25,521,000**	**76,658,677**	**51,137,677**	
Net Assets	**960,413,000**	-	**960,413,000**	**510,397,487**	**(450,015,513)**	
NET ASSETS						
NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY						
RESERVES						
Correction of errors	-	-	-	(193,444)	**(193,444)**	
Accumulated surplus	960,413,000	-	**960,413,000**	510,590,931	**(449,822,069)**	48 AC
Total Net Assets	**960,413,000**	-	**960,413,000**	**510,397,487**	**(450,015,513)**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2019											
Financial Performance											
Property rates	17,618,000	10,190,000	27,808,000	-		27,808,000	27,049,540		(758,460)	97 %	154 %
Investment revenue	1,550,000	-	1,550,000	-		1,550,000	3,074,147		1,524,147	198 %	198 %
Transfers recognised - operational	123,580,000	-	123,580,000	-		123,580,000	114,944,832		(8,635,168)	93 %	93 %
Other own revenue	1,785,000	-	1,785,000	-		1,785,000	2,550,934		765,934	143 %	143 %
Total revenue (excluding capital transfers and contributions)	**144,533,000**	**10,190,000**	**154,723,000**	-		**154,723,000**	**147,619,453**		**(7,103,547)**	**95 %**	**102 %**
Employee costs	(34,396,000)	-	(34,396,000)	-	-	(34,396,000)	(33,507,086)	-	888,914	97 %	97 %
Remuneration of councillors	(11,782,000)	-	(11,782,000)	-	-	(11,782,000)	(11,355,084)	-	426,916	96 %	96 %
Debt impairment	(1,300,000)	-	(1,300,000)			(1,300,000)	(5,672,147)	-	(4,372,147)	436 %	436 %
Depreciation and asset impairment	(27,390,000)	-	(27,390,000)			(27,390,000)	(29,199,712)	-	(1,809,712)	107 %	107 %
Finance charges	(250,000)	-	(250,000)	-	-	(250,000)	(292,290)	-	(42,290)	117 %	117 %
Repairs and maintenance	(8,080,000)	-	(8,080,000)	-	-	(8,080,000)	-	-	8,080,000	- %	- %
Contracted services	(32,097,000)	(537,000)	(32,634,000)	-	-	(32,634,000)	(2,182,297)	-	30,451,703	7 %	7 %
Other expenditure	(63,794,000)	(6,343,000)	(70,137,000)	-	-	(70,137,000)	(121,336,642)	-	(51,199,642)	173 %	190 %

KAGISANO-MOLOPO LOCAL MUNICIPALITY
(REGISTRATION NUMBER NW397)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Total expenditure	**(179,089,000)**	**(6,880,000)**	**(185,969,000)**	**-**	**-**	**(185,969,000)**	**(203,545,258)**	**-**	**(17,576,258)**	**109 %**	**114 %**
Surplus/(Deficit)	**(34,556,000)**	**3,310,000**	**(31,246,000)**	**-**		**(31,246,000)**	**(55,925,805)**		**(24,679,805)**	**179 %**	**162 %**
Transfers recognised - capital	29,521,000	-	29,521,000	-		29,521,000	39,759,809		10,238,809	135 %	135 %
Surplus (Deficit) after capital transfers and contributions	**(5,035,000)**	**3,310,000**	**(1,725,000)**	**-**		**(1,725,000)**	**(16,165,996)**		**(14,440,996)**	**937 %**	**321 %**
Surplus/(Deficit) for the year	**(5,035,000)**	**3,310,000**	**(1,725,000)**	**-**		**(1,725,000)**	**(16,165,996)**		**(14,440,996)**	**937 %**	**321 %**
Capital expenditure and funds sources											
Total capital expenditure	57,150,000	2,000,000	59,150,000	-		59,150,000	(49,210,472)		(108,360,472)	(83)%	(86)%
Sources of capital funds											
Transfers recognised - capital	29,521,000	-	29,521,000	-		29,521,000	(48,210,472)		(77,731,472)	(163)%	(163)%
Internally generated funds	27,629,000	2,000,000	29,629,000	-		29,629,000	(1,002,837)		(30,631,837)	(3)%	(4)%
Total sources of capital funds	**57,150,000**	**2,000,000**	**59,150,000**	**-**		**59,150,000**	**(49,213,309)**		**(108,363,309)**	**(83)%**	**(86)%**

KAGISANO-MOLOPO LOCAL MUNICIPALITY
(REGISTRATION NUMBER NW397)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	58,710,000	(14,162,000)	44,548,000	-		44,548,000	56,174,668		11,626,668	126 %	96 %
Net cash from (used) investing	(58,010,000)	8,899,000	(49,111,000)	-		(49,111,000)	(54,956,235)		(5,845,235)	112 %	95 %
Net cash from (used) financing	-	-	-	-		-	(1,310,714)		(1,310,714)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**700,000**	**(5,263,000)**	**(4,563,000)**	**-**		**(4,563,000)**	**(92,281)**		**4,470,719**	**2 %**	**(13)%**
Cash and cash equivalents at the beginning of the year	18,000,000	-	18,000,000	-		18,000,000	38,607,327		20,607,327	214 %	214 %
Cash and cash equivalents at year end	**18,700,000**	**(5,263,000)**	**13,437,000**	**-**		**13,437,000**	**38,515,046**		**(25,078,046)**	**287 %**	**206 %**

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 GOING CONCERN ASSUMPTION

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of Infrastructure, community and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for these assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 INVESTMENT PROPERTY (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model. The residual value of the investment property is then assumed to be zero. The entity applies the cost model until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

ACCOUNTING POLICIES

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Machinery and equipment	Straight line	5-10
Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	7
Office equipment	Straight line	7
Emergency equipment	Straight line	7
Community	Straight line	30
Other property, plant and equipment	Straight line	5-10
Other community assets	Straight line	15-30
Roads network	Straight line	10-70
Electricity network	Straight line	45
Stormwater network	Straight line	30-40
Landfill site Perimeter Protection and Structures	Straight line	10-55

Land is not deptreciated.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 SITE RESTORATION AND DISMANTLING COST

The municipality has an obligation to dismantle, remove and restore the dumping site used by local residents. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of dismantling the dumping site used by local residents includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.7 INTANGIBLE ASSETS

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

1.7 INTANGIBLE ASSETS (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	5

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1.8 FINANCIAL INSTRUMENTS (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1.8 FINANCIAL INSTRUMENTS (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Reeceivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables fron exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost

1.8 FINANCIAL INSTRUMENTS (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 FINANCIAL INSTRUMENTS (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.8 FINANCIAL INSTRUMENTS (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 FINANCIAL INSTRUMENTS (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 TAX

Value added taxation (VAT)

The municipalty accounts for the value added taxation on the accrual basis.

1.10 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the 10,5%.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.10 LEASES (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.11 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

ACCOUNTING POLICIES

1.12 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued at each reporting date by an independent qualified actuary and the corresponding liability is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 3436.

1.14 PROVISIONS AND CONTINGENCIES (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 PROVISIONS AND CONTINGENCIES (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.16 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest received is recognised, in surplus or deficit, using the effective interest rate method on bank balances, short term deposits and accounts receivables.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.17 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 FINANCE COSTS

Finance costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Finance costs are recognised as an expense in the period in which they are incurred.

1.20 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

ACCOUNTING POLICIES

1.21 UNAUTHORISED EXPENDITURE (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 IRREGULAR EXPENDITURE

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2018 to 6/30/2019.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality has adopted the amendment for the first time in the 2019 financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality has adopted the amendment for the first time in the 2019 financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality has adopted the amendment for the first time in the 2019 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The impact of the amendment is not material.

2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2019 or later periods:

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after April 1, 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

NOTES TO THE FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

3. INVESTMENT PROPERTY

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,260,729	-	43,260,729	52,527,729	-	52,527,729

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	52,527,729	(9,267,000)	43,260,729

Reconciliation of investment property - 2018

	Opening balance	Correction of prior period error	Fair value adjustments	Total
Investment property	43,636,026	6,695,729	2,195,974	52,527,729

Fair value of investment properties	43,260,729	52,527,729

Pledged as security

No investment property were pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Sunday, June 30, 2019. Revaluations were performed by an independent valuers, EMS Solutions, The valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,125,781	1,288,355
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	-
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	-

	2019	2018
	R	R

3. **INVESTMENT PROPERTY (continued)**

4. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	838,456	-	838,456	838,456	-	838,456
Buildings	62,888,158	(18,890,086)	43,998,072	62,888,158	(17,476,181)	45,411,977
Finance lease assets	7,291,949	(7,291,949)	-	7,291,949	(4,861,293)	2,430,656
Infrastructure	296,308,594	(97,604,894)	198,703,700	295,108,585	(91,566,045)	203,542,540
Community	262,058,288	(44,266,110)	217,792,178	233,296,488	(35,409,922)	197,886,566
Other property, plant and equipment	30,423,428	(14,731,046)	15,692,382	39,235,638	(14,416,379)	24,819,259
Total	**659,808,873**	**(182,784,085)**	**477,024,788**	**638,659,274**	**(163,729,820)**	**474,929,454**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	838,456	-	-	-	-	-	838,456
Buildings	45,411,977	-	-	-	(1,413,905)	-	43,998,072
Finance lease assets	2,430,656	-	-	-	(2,430,656)	-	-
Infrastructure	203,542,540	-	(12,517,689)	19,448,600	(11,304,134)	(465,617)	198,703,700
Community	197,886,566	26,241,452	-	2,520,348	(6,854,785)	(2,001,403)	217,792,178
Other property, plant and equipment	24,819,259	957,406	(5,526,542)	-	(3,269,060)	(1,288,681)	15,692,382
	474,929,454	**27,198,858**	**(18,044,231)**	**21,968,948**	**(25,272,540)**	**(3,755,701)**	**477,024,788**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2018 restated

	Restated opening balance	Additions	Disposals	Work in Progress	Depreciation	Total
Land	838,456	-	-	-	-	838,456
Buildings	52,460,112	-	(5,408,120)	-	(1,640,015)	45,411,977
Finance lease assets	4,861,305	-	-	-	(2,430,649)	2,430,656
Infrastructure	205,363,908	-	-	9,484,604	(11,305,972)	203,542,540
Community	188,051,390	13,733,605	(28,656)	2,704,737	(6,574,510)	197,886,566
Other property, plant and equipment	21,076,610	6,915,250	(249,403)	-	(2,923,198)	24,819,259
	472,651,781	**20,648,855**	**(5,686,179)**	**12,189,341**	**(24,874,344)**	**474,929,454**

Pledged as security

Property, plant and equipment has not been pledged as security or collateral.

Assets subject to finance lease (Net carrying amount)

Finance lease assets	-	2,430,656

Details of properties

A register containing details of property plant and equipment of the municipality is available for inspection at the municipality's registered office.

	2019 R	2018 R

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment in the process of being constructed or developed

	2019 R	2018 R
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
High mast lights	55,483,471	43,301,097
The dalays in completion of hight mast lights in various regions of the municipality are due to delays in Eskom connectivity delays, and community protests where community would halt project demanding more high mast lights than initially budgeted for		
Roads	3,843,360	1,077,134
The delays in completion of roads project are due to the late receipt of the Municipal infrastructure grant awarded for the construction of the roads		
	59,326,831	**44,378,231**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	44,378,231	22,908,649	67,286,880
Additions/capital expenditure	19,448,600	28,861,196	48,309,796
Transferred to completed items	-	(26,241,452)	(26,241,452)
	63,826,831	**25,528,393**	**89,355,224**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	34,893,627	20,203,912	55,097,539
Additions/capital expenditure	9,484,604	16,438,341	25,922,945
Transferred to completed items	-	(13,733,604)	(13,733,604)
	44,378,231	**22,908,649**	**67,286,880**

Expenditure incurred to repair and maintain property, plant and equipment

	2019 R	2018 R
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Land and buildings	765,105	1,151,452
Infrastucture assets (roads, water and electrical)	387,534	515,372
Other assets (machinery, equipment and transport assets)	1,071,524	1,076,042
	2,224,163	**2,742,866**

	2019 R	2018 R

5. INTANGIBLE ASSETS

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	945,700	(402,822)	542,878	900,269	(231,373)	668,896

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Depreciation	Impairment loss	Total
Computer software	668,896	45,431	(170,490)	(959)	542,878

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	438,984	374,816	(144,904)	668,896

Pledged as security

No intangible assets were pledged as security.

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Rental debtors	193,446	120,619

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	43,648	1,926
2 months past due	13,047	2,432
3 months past due	63,484	8,540
More than 3 months	73,268	107,721

Trade and other receivables impaired

As of June 30, 2019, trade and other receivables of R 5,210,537 (2018: R 3,669,434) were impaired and provided for.

The amount of the provision was R (5,210,537) as of June 30, 2019 (2018: R (3,669,434)).

The ageing of these receivables is as follows:

Over 6 months	5,210,537	3,669,434

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Reconciliation of provision for impairment of trade and other receivables

	2019 R	2018 R
Opening balance	3,669,434	2,497,590
Provision for impairment	1,541,102	1,171,844
	5,210,536	**3,669,434**

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 R
Other receivables from non-exchange	6,700,008	6,136,860
Other receivables from non-exchange revenue - Prepayments	490,000	356,250
Consumer debtors - Rates	11,691,101	4,589,171
	18,881,109	**11,082,281**

Receivables from non-exchange transactions pledged as security

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

The ageing of amounts past due but not impaired is as follows:

	2019 R	2018 R
1 month past due	-	-
2 months past due	-	-
3 months past due	11,691,101	4,589,171

Receivables from non-exchange transactions impaired

As of June 30, 2019, other receivables from non-exchange transactions of R 22,636,427 (2018: R 18,505,383) were impaired and provided for.

The amount of the contribution was R 4,131,044 as of June 30, 2019 (2018: R 3,991,009).

The ageing of these receivables is as follows:

	2019 R	2018 R
Over 6 months	22,636,427	18,505,383

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2019 R	2018 R
Opening balance	18,505,383	14,514,374
Provision for impairment	4,131,044	3,991,009
	22,636,427	**18,505,383**

The maximum exposure to credit risk at the reporting date is the fair value of each class of property rates above. The municipality does not hold any collateral as security.

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

8. VAT RECEIVABLE

VAT	8,831,614	3,911,722

Current tax receivable relates to a Value Added Tax Credit to be paid out by SARS. Kagisano-Molopo Local Municipality is registered as a VAT Vendor on the invoice basis. Included in the amounts disclosed on the face of the Statement of Financial Position may be amounts that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. These amounts are recorded as reconciling items until reasons for the disallowment can be investigated.

9. CONSUMER DEBTORS DISCLOSURE

	2019 R	2018 R
Gross balances		
Consumer debtors - Rates	34,327,528	23,094,554
Rental receivables	5,403,983	3,790,053
	39,731,511	**26,884,607**
Less: Allowance for impairment		
Consumer debtors - Rates	(22,636,427)	(18,505,383)
Consumer debtors - Other	(5,210,537)	(3,669,434)
	(27,846,964)	**(22,174,817)**
Net balance		
Consumer debtors - Rates	11,691,101	4,589,171
Consumer debtors - Property rentals	193,446	120,619
	11,884,547	**4,709,790**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Property rates	11,691,101	4,589,171
Property rentals	193,446	120,619
	11,884,547	**4,709,790**
Net balance	**11,884,547**	**4,709,790**
Property rates		
91 - 120 days	11,691,101	4,589,171
Rental debtors		
Current (0 -30 days)	43,648	1,926
31 - 60 days	13,047	2,432
61 - 90 days	63,484	8,540
91 - 120 days	73,267	107,721
	193,446	**120,619**

9. CONSUMER DEBTORS DISCLOSURE (continued)

Summary of debtors by customer classification

	2019 R	2018 R
Farms and small holdings		
91+ days	20,867,089	17,333,762
	20,867,089	17,333,762
Less: Allowance for impairment	(20,867,089)	(17,313,616)
	-	**20,146**
Rental, commercial and residential		
Current (0 -30 days)	194,924	137,832
31 - 60 days	78,384	73,098
61 - 90 days	203,425	137,421
91+ days	6,595,912	4,709,971
	7,072,645	5,058,322
Less: Allowance for impairment	(6,879,156)	(4,861,201)
	193,489	**197,121**
State owned properties		
91+ days	11,691,101	3,988,568
	11,691,101	3,988,568
Less: Allowance for impairment	-	-
	11,691,101	**3,988,568**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(22,174,817)	(17,011,964)
Contributions to allowance	(5,672,146)	(5,162,853)
	(27,846,963)	**(22,174,817)**

	2019 R	2018 R

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	20,527,537	5,834,290
Short-term deposits	17,987,509	32,773,037
	38,515,046	**38,607,327**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
ABSA Bank Limited (Moodys short term deposit not on watch)	P3	P3
First Rand Bank (Moodys short term deposit not on watch)	P3	P3
Standard Bank Limited(Moodys short term deposit not on watch)	P3	P3

Cash and cash equivalents pledged as collateral

There are no financial assets pledged as collateral.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2019	**June 30, 2018**	**June 30, 2017**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
ABSA Bank - Primary Bank Account Acc no: 407801332	20,527,537	5,834,290	12,200,734	20,527,537	5,834,290	12,200,734
FNB Bank - Short-term Deposits Acc no.: 62360911202	15,203,526	30,154,056	24,502,833	15,203,526	30,154,056	24,502,833
FNB Bank - Short-term Deposits Acc no.: 62371561062	2,782,470	2,617,468	2,460,626	2,782,406	2,617,468	2,460,626
Standard Bank - Short-term Deposits Acc no.: 62371561062	1,487	1,487	1,487	1,487	1,487	1,487
Total	**38,515,020**	**38,607,301**	**39,165,680**	**38,514,956**	**38,607,301**	**39,165,680**

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

11. FINANCE LEASE OBLIGATION

	2019 R	2018 R
Minimum lease payments due		
- within one year	109,215	1,310,580
- in second to fifth year inclusive	-	109,215
- later than five years	-	-
	109,215	1,419,795
less: future finance charges	(947)	(83,287)
Present value of minimum lease payments	**108,268**	**1,336,508**

	2019 R	2018 R
Present value of minimum lease payments due		
- within one year	108,268	1,228,240
- in second to fifth year inclusive	-	108,268
- later than five years	-	-
	108,268	**1,336,508**

	2019 R	2018 R
Non-current liabilities	-	108,268
Current liabilities	108,268	1,228,240
	108,268	**1,336,508**

Anaka Group: The municipality entered into a lease agreement on 1 May 2016. The first instalment was due on 1 July 2016 and the final instalment will be made on 1 July 2019. A deposit amounting to R3 931 740 was paid on this lease. Interest is charged at 10,5% per annum

Defaults and breaches

Kwane Capital (2017): The municipality entered into a lease agreement on 27 June 2016. The first instalment was due on 31 August 2016 and the final instalment will be made on 28 July 2019. A deposit amounting to R5 426 934 was paid on this lease. Interest is charged at 10,5% per annum. The municipality was served with a court order regarding the lease entered into. The leased assets were returned and the municipality is in the process of claiming the deposit paid back from the lessor.

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

	2019 R	2018 R
Unspent conditional grants and receipts		
Financial Management Grant	721,270	250,688
Department of Sports, Arts and Culture Library Grant	900,199	899,898
Municipal Infrastructure Grant	7,834,317	14,062,437
	9,455,786	**15,213,023**

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

	2019 R	2018 R

13. PROVISIONS

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	19,578,477	348,561	-	19,927,038
Long Service Award liability	1,148,020	317,100	(127,180)	1,337,940
	20,726,497	**665,661**	**(127,180)**	**21,264,978**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	19,519,107	59,370	-	-	19,578,477
Long Service Award liability	1,030,016	188,843	(113,367)	42,528	1,148,020
	20,549,123	**248,213**	**(113,367)**	**42,528**	**20,726,497**

	2019	2018
Non-current liabilities	1,191,843	1,113,078
Current liabilities	20,073,135	19,613,419
	21,264,978	**20,726,497**

Environmental rehabilitation provision

Key Assumptions

The timing for the possible outflow of resources for the maintenance and rehabilitation of the illegal dumping site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items.
- Included in the amount is a part time Civil Engineer as a site supervisor, a part time Occupational Health and Safety Officer and an Environment Control Officer to ensure that the site is closed in a safe manner and in terms of the OHS Act, the license and the Environmental Management Program.
- The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

Based on the key assumptions an estimated amount was calculated. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2019 when the construction project is actually undertaken.

This value will need to be escalated using the CPIX for the area to the year of final rehabilitation, if that is what takes place in appeoximately 2 years from now when the site is actually full and the new site has been constructed and approved for waste disposal practices.

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

13. PROVISIONS (continued)

Long Service Award Liability

Key Assumptions

Financial assumptions: It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount Rate: The discount rate required by GRAP19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. A greater emphasis is placed on the duration of the liabilities when determining the discount rate as per the revised GRAP 19 requirements. With this in mind, we have set the discount rate by using the "best fit" discount rate at 30 June 2019 which we have based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 8 years. The recommended discount rate of 9.18% for the 2017-18 financial year decreases by 0.55% to 8.63% in the 2018-19 financial year.

General Salary Increase: This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms.The implied inflation is 5.32% per annum for future inflation. Future salaries are expected to increase in line with inflation. We assume that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6.32% per annum. It has been assumed that the next salary increase will take place in 1 July 2019

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 R
Trade payables	14,352,503	7,954,826
Retentions	8,122,179	2,938,808
Other creditors	18,787,003	2,719,096
Accrued leave pay	3,833,660	3,427,617
Accrued bonus	734,301	621,426
	45,829,646	**17,661,773**

15. REVENUE

	2019 R	2018 R
Rental of facilities and equipment	1,125,781	1,288,355
Interest received (trading)	966,357	697,087
Other income	458,796	817,149
Interest received - investment	3,074,147	3,203,131
Property rates	27,049,540	19,052,119
Government grants & subsidies	154,704,641	139,080,673
	187,379,262	**164,138,514**

	2019 R	2018 R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	1,125,781	1,288,355
Interest received (trading)	966,357	697,087
Other income	458,796	817,149
Interest received - investment	3,074,147	3,203,131
	5,625,081	**6,005,722**

NOTES TO THE FINANCIAL STATEMENTS

15. REVENUE (continued)

	2019 R	2018 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	27,049,540	19,052,119
Transfer revenue		
Government grants & subsidies	154,704,641	139,080,673
	181,754,181	**158,132,792**

16. RENTAL OF FACILITIES AND EQUIPMENT

	2019 R	2018 R
Facilities and equipment		
Rental of facilities	1,125,781	1,288,355

17. OTHER INCOME

	2019 R	2018 R
Sundry income	108,767	113,964
Tender documents	125,633	91,480
Insurance claim received	224,396	611,705
	458,796	**817,149**

18. INVESTMENT REVENUE

	2019 R	2018 R
Interest revenue		
Bank	1,859,399	1,394,579
Interest received - call accounts	1,214,748	1,808,552
	3,074,147	**3,203,131**

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

19. PROPERTY RATES

Rates received

	2019 R	2018 R
Residential	126,444	126,444
Commercial	388,836	414,036
State	88,444,377	35,765,126
Small holdings and farms	6,482,118	6,438,704
Less: Income forgone	(68,392,235)	(23,692,191)
	27,049,540	**19,052,119**

Valuations

	2019 R	2018 R
Residential	21,074,000	21,074,000
Commercial	32,403,010	34,503,010
State	3,122,998,100	894,128,100
Small holdings and farms	4,380,021,500	4,291,551,500
	7,556,496,610	**5,241,256,610**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2014. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

Rate tariffs are applied to properties as per property classification/catergory to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being the end of each finacial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year.

20. GRANTS AND SUBSIDIES PAID

	2019 R	2018 R
Other subsidies		
SMME Development	46,790	167,908
Goat Breeding Project	1,986,458	1,057,933
Heritage programmes	-	671,037
Disaster Management	149,049	422,082
	2,182,297	**2,318,960**

21. GOVERNMENT GRANTS AND SUBSIDIES

	2019 R	2018 R
Operating grants		
Equitable share	109,062,000	103,799,000
Financial Management Grant	2,424,730	2,825,312
Expanded Public Works Programme Grant	2,639,000	3,225,000
Local Government Seta Grant	86,403	167,552
Department of Sports, Arts and Culture Library Grant	732,699	587,247
	114,944,832	**110,604,111**
Capital grants		
Municipal Infrastructure Grant	34,759,809	28,476,562
Department of Small Business Development Grant	5,000,000	-
	39,759,809	**28,476,562**
	154,704,641	**139,080,673**

	2019 R	2018 R

21. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2019 R	2018 R
Conditional grants received	45,642,641	35,281,673
Unconditional grants received	109,062,000	103,799,000
	154,704,641	**139,080,673**

Equitable Share

The grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

Financial Management Grant

	2019 R	2018 R
Balance unspent at beginning of year	250,688	-
Current-year receipts	3,146,000	3,076,000
Conditions met - transferred to revenue	(2,424,730)	(2,825,312)
Repayments of unspent grant	(250,688)	-
	721,270	**250,688**

Conditions still to be met - remain liabilities (see note 12).

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

Expanded Public Works Programme Grant

	2019 R	2018 R
Balance unspent at beginning of year	-	-
Current-year receipts	2,639,000	3,225,000
Conditions met - transferred to revenue	(2,639,000)	(3,225,000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

Local Government Seta

	2019 R	2018 R
Current-year receipts	86,403	167,552
Conditions met - transferred to revenue	(86,403)	(167,552)
	-	-

Conditions still to be met - remain liabilities (see note 12).

This grant is used for skills development within the Kagisano Molopo Local Municipality.

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

21. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Department of Sports, Arts and Culture Library Grant

Balance unspent at beginning of year	899,898	787,145
Current-year receipts	733,000	700,000
Conditions met - transferred to revenue	(732,699)	(587,247)
	900,199	**899,898**

Conditions still to be met - remain liabilities (see note 12).

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.

Municipal Infrastructure Grant

Balance unspent at beginning of year	14,062,437	-
Current-year receipts	29,521,000	42,539,000
Conditions met - transferred to revenue	(34,759,809)	(28,476,563)
Repayments of unspent grant	(989,311)	-
	7,834,317	**14,062,437**

Conditions still to be met - remain liabilities (see note 12).

The grant was utilised to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included as current liabilities.

Department of Small Business Development grant (SMME)

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(5,000,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant was received from Department of Small Business Development. The Municiaplity utilised the grant to erect hawkers stands for Small to Medium Enterprises within the municipality.

22. PUBLIC CONTRIBUTIONS AND DONATIONS

There were no public contributions and donations received. In the event of receipt, where conditions are still to be met, the amounts will remain as liabilities disclosed under note 12

23. EMPLOYEE RELATED COSTS

Basic salary	23,857,793	20,244,192
Bonus	1,343,655	1,160,940
Company contributions	4,353,381	4,209,458
Travel, motor car, accommodation, subsistence and other allowances	1,267,334	1,757,397
Long-service awards	317,100	231,371
Acting allowances	1,603,502	1,528,890
Housing benefits and allowances	90,677	104,920
Other employee related costs	673,644	827,019
	33,507,086	**30,064,187**

	2019 R	2018 R

23. EMPLOYEE RELATED COSTS (continued)

Remuneration of municipal manager

	2019 R	2018 R
Annual remuneration	666,347	300,898
Car allowance	337,665	115,918
Contributions to UIF, Medical and Pension Funds	12,227	16,206
	-	538,661
Other	-	283,879
	1,016,239	**1,255,562**

Included in above summary of Employee Related Costs.

The municipal manager's salary was adjusted with the Rural Allowance and corrected accordingly.

Remuneration of the chief financial officer

	2019 R	2018 R
Annual remuneration	552,981	496,687
Car allowance	192,327	202,834
Contributions to UIF, Medical and Pension Funds	8,649	7,740
Acting allowance	20,874	30,400
	774,831	**737,661**

Included in above summary of Employee Related Costs.

The chief financial oficer was vacant from 1 May 2019 and is still vacant as at 30 June 2019. During this period the position was filled by municipal staff in an acting capacity.

Remuneration of corporate services director

	2019 R	2018 R
Annual remuneration	663,578	151,680
Car allowance	230,792	88,106
Contributions to UIF, Medical and Pension Funds	8,506	6,744
Acting allowance	-	258,141
	902,876	**504,671**

Included in above summary of Employee Related Costs.

The corporate services director position was vacant for the period 1 January 2018 to 14 April 2018. During this time the position was filled by officials in an acting capacity.

Remuneration of the community services director

	2019 R	2018 R
Annual remuneration	663,578	496,687
Car allowance	230,793	205,893
Performance bonuses	-	-
Contributions to UIF, Medical and Pension Funds	10,619	7,759
Other	-	48,014
	904,990	**758,353**

Included in above summary of Employee Related Costs.

	2019 R	2018 R

23. EMPLOYEE RELATED COSTS (continued)

Remuneration of techical services director (acting)

Annual remuneration	-	45,195
Car allowance	-	9,866
Performance bonuses	-	54,399
Contributions to UIF, Medical and Pension Funds	-	44,760
Other	-	154,219
	-	**308,439**

Included in above summary of Employee Related Costs.

The technical services director posision was vacant for the period 1 September 2017 to 30 June 2018

24. REMUNERATION OF COUNCILLORS

Executive Mayors	693,798	821,432
Speaker	546,542	671,179
Councillors	5,418,785	4,304,357
Executive Committee Members	2,184,022	2,521,044
Councillors' pension and medical aid contributions	1,342,337	671,513
Councillors' allowances	1,169,600	1,891,985
	11,355,084	**10,881,510**

In-kind benefits

The Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle with two full time drivers for official duties.

25. DEPRECIATION AND AMORTISATION

Property, plant and equipment	25,272,542	24,874,343
Intangible assets	171,449	203,843
	25,443,991	**25,078,186**

26. IMPAIRMENT OF ASSETS

Impairments		
Property, plant and equipment Assets not found at year end during the physical asset verification and write downs due to assessment of carrying amounts against value in use and physical conditions.	3,755,721	-

27. FINANCE COSTS

Interest on overdue accounts	209,816	64,791
Interest on Finance leases	82,474	204,260
	292,290	**269,051**

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

28. DEBT IMPAIRMENT

Contributions to debt impairment provision	5,672,147	5,162,853

The movement in bad debts relate to an increase in the provision of impairment of receivables.

29. CONTRACTED SERVICES

Information Technology Services	4,177,343	5,281,876
Security Services	12,274,373	10,282,115
Other contracted services	2,488,789	3,891,859
Performance Management Services	2,973,070	2,589,732
Accounting and Financial Management Advisory	12,173,482	21,940,298
	34,087,057	**43,985,880**

Other contracted services is made up of Valuation roll consultancy R1 131 576 (2018: R2 253 981) Value added tax specialist consultancy R1 148 563 (2018:R1 637 879) and Fleet Services R208 650 (2018: Rnil)

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R

30. GENERAL EXPENSES

	2019 R	2018 R
Advertising	211,212	351,511
Auditors remuneration	2,770,345	3,410,082
Bank charges	137,925	89,622
Cleaning	66,850	135,929
Software expenses	783,221	1,852,904
Disaster relief programs	222,550	-
Consumables	53,600	-
Legal fees	7,896,049	1,802,242
Entertainment - Councillors	52,749	40,550
Maintenance of illegal dumping site	348,561	59,371
Rental: Equipment	7,000	1,042,628
Insurance	1,569,149	1,748,043
Bursaries	1,009,664	1,306,733
Conferences and seminars	18,000	39,770
Employee assistance and wellness	179,249	182,288
Telephone	802,722	1,259,061
Workmans compensation	137,072	132,073
Mayoral outreach programmes	356,340	1,072,649
Membership fees: Societies	376,250	535,840
Vehicles: Licenses	11,883	5,432
Vehicles: Fuel and oil	4,711,486	3,747,786
Printing and stationery	503,323	341,873
Promotions	3,256,051	4,955,389
Protective clothing	348,312	227,875
Refreshments and meals	493,257	636,223
Subscriptions and membership fees	-	94,587
Training	2,160,401	2,520,327
Travel - local	1,638,591	1,565,355
Small tools and equipment	469,400	530,989
Electricity	4,683,613	8,028,786
Travel and subsistence: Officials	1,236,288	956,188
Licenses and permits	14,185	18,978
Expanded Public Works Programme	6,469,969	5,296,420
Travel and subsistence: Councillors	1,553,968	1,032,861
Pauper Burials	56,937	116,372
Excellence Awards	463,536	426,685
Youth Women Elderly and Other Support Programmes	7,674,623	7,652,061
Ward Participation Support	4,969,860	8,282,383
	57,714,191	**61,497,866**

31. FAIR VALUE ADJUSTMENTS

Investment property (Fair value model)	(9,267,000)	2,195,974

32. AUDITORS' REMUNERATION

Fees	2,770,345	3,410,082

NOTES TO THE FINANCIAL STATEMENTS

33. CASH GENERATED FROM OPERATIONS

	2019 R	2018 R
Deficit	(16,165,996)	(15,882,996)
Adjustments for:		
Depreciation and amortisation	25,443,991	25,078,186
Gain/loss on sale of assets and liabilities	18,044,231	216,125
Fair value adjustments	9,267,000	(2,195,974)
Impairment deficit	3,755,721	-
Debt impairment	5,672,147	5,162,853
Movements in provisions	538,481	177,374
Changes in working capital:		
Receivables from exchange transactions	(72,827)	(120,619)
Other receivables from non-exchange transactions	(7,798,828)	3,882,521
Payables from exchange transactions	28,167,877	4,320,928
VAT	(4,919,892)	(1,333,937)
Unspent conditional grants and receipts	(5,757,237)	14,425,878
	56,174,668	**33,730,339**

	2019 R	2018 R

34. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	193,446	193,446
Other receivables from non-exchange transactions	18,881,109	18,881,109
Cash and cash equivalents	38,515,046	38,515,046
	57,589,601	**57,589,601**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	45,829,646	45,829,646
Finance lease obligation	108,268	108,268
	45,937,914	**45,937,914**

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	120,619	120,619
Other receivables from non-exchange transactions	11,082,281	11,082,281
Cash and cash equivalents	38,607,327	38,607,327
	49,810,227	**49,810,227**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17,661,773	17,661,773
Finance lease obligation	1,228,240	1,228,240
	18,890,013	**18,890,013**

35. COMMITMENTS

	2019 R	2018 R
Authorised capital expenditure		
Approved and contracted for		
• Property, plant and equipment	7,957,442	24,636,655
Approved but not yet contracted for		
• Property, plant and equipment	55,300,000	79,300,000
Total capital commitments		
Approved and contracted for	7,957,442	24,636,655
Approved but not yet contracted for	55,300,000	79,300,000
	63,257,442	**103,936,655**

The prior period error adjustments on commitments approved and already contracted for relate to R11 935 152 of completed projects transferred to property plant and equipment but bot deducted from commitments in the prior year.

An amount of R15 397 290 in the prior year relating to Vragas sports facility construction was ommitted from the prior year commitments listing.

The correction of these erros does not affect amounts disclosed in property plant and equipment as these were correctly accounted for on the face of the annual financial statements.

	2019 R	2018 R

36. CONTINGENCIES

Contingent liabilities

	2019 R	2018 R
MH Office Machines and Stationers This entity instititited legal action against the Municipality for the recovery of an amount of R69 638 allegedly due to the delivery of goods and rendering of services. The matter is being defended.	69,556	130,000
Morofa Moloto and O Ntsimane The plaintiffs instituted legal proceedings against the municipality for unfair suspension. The ruling was in favour of the plaintiff and the Municipality is appealing the decision.	-	-
	69,556	**130,000**

Contingent assets

	2019 R	2018 R
Mr K Dijwe Mr K Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered as a result of the alleged malicious prosecution, including claims on interest and costs. An order of absolution from the instance was given by the High Court in Mmabatho whereafter he applied for leave to appeal such order. The application for leave to appeal was denied, whereupon Mr Dijwe successfully petitioned the Appeal Court for such leave. The likelihood is that the appeal will succed in favour of the plaintiff. In 2016/2017 the plaintiff failed to pursue an appeal of the judgement in favour of the Municipality. The judgement of absolution from the instance with costs therefore stands. There is a likelihood that the Municipality may proceed with attempts at recovering the cost from Mr Dijwe.	23,000	23,000
Realkit Investments The municipality instituted legal action against the Realkit Investments for constructing a building on the premises of the municipality during 2016/17 financial year. The right to occupy the land was given by the Ganyesa communal authority where the Ganyesa taxi rank is currently situated. The municipality is of the opinion that the construction of the building was done without the consent of the municipality. The matter was settled in favour of the municipality. The actual financial exposure could not be determined at year-end.	130,000	70,000
Kwane Capital (Pty) Ltd A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings. A Letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 Kwane's attorneys were notified that their representations were not acceptable and demanding re-payment of the amount paid over to them.	-	300,000
NW Premier and MEC Local govenment The municipality instituted legal proceedings against the offices of the Premier and MEC Local government for putting the Municipality under administration per section 139 of the MFMA. Initial judgement was in favour of the Municipality, the MEC and the Premier are however appealing the decision. Contingent asset relate to legal fees recoverable.	-	-
	153,000	**393,000**

	2019 R	2018 R

37. RELATED PARTIES

Relationships

Accounting Officer	Refer to accounting officer's report note
Dr Ruth S Mompati Distric Municipality	The internal audit services are regarded as services-in-kind and the monetary value of these services could not be determined.
Close family member of key management	Declarations of interest was circulated to all employees and a CIPC search was performed.

The following related party transactions occurred between the municipality and its key management, including the audit committee. All related party transactions were at arms length.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties	2019 R	2018 R
G Seeletso (Family member) - (Gopola Gorata Projects)	(10,400)	-

Related party transactions

Purchases from (sales to) related parties	2019 R	2018 R
G Seeletso (Family member) - (Gopola Gorata Projects)	-	37,160
G Moreki (Family member) - (Roslyn Catering and Trading Enterprise)	-	31,910
MM Seeletso (Family member) (Gopola Gorata Projects)	59,160	-
L Makwati (Ndudza cleaning projects)	1,501,290	-
RS Modise (Family member) (Ratang Tiro Trading Pty Ltd)	130,050	-
MM Seeletso (Family member) (This That and The Rest Events Pty Ltd)	58,850	-

Remuneration of management

Councillors/Mayoral committee members

Refer to note "Remuneration of councilors"

Executive management

Refer to note "Employee related costs"

	2019 R	2018 R

38. PRIOR PERIOD ERRORS

The correction of prior period errors has been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors, by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Statement of financial position

Receivables from non exchange transactions were increased with a net amount of R4 642 388 in the prior year. The municipality corrected other receivables in note 7, The correction relates to reclassification of PAYE, UIF and Pension that were incorrectly recorded as other creditors including adjustments made on salary control accounts relating to prior year. Kwane lease was also adjusted for in the prior year and accrued interest on investment that was adjusted for in the prior year.

Receivables from non exchange transactions were adjusted with a correction of misallocated rental receipts, The amount of the correction was R5 076

VAT receivable was decreased by R666 466 which is VAT that was initially recorded relating to the Kwane Capital Pty Ltd lease on equipment.

Investment proerty was adjusted with an amount of R6 695 729. This was a write down of investment property after revaluation exercise performed in the current year. The revaluation was treated retrospectively.

Property pant and equipment was adjusted by an amount of R24 238 325. The municipality engaged service providers to compile a Property Plant and equipment register. All Municipal assets were assessed according to all relevant GRAP standards and adjustments were made retrospectively.

Intangible assets were adjusted by R184 348. The municipality engaged service providers to compile a Property Plant and equipment register. Municipal assets were assessed according to all relevant GRAP standards and adjustments were made retrospectively.

Payables from exchange transactions where reduced by a net amount of R1 300 827 in the prior year arising from various corrections in the prior year. The adjustment relates to clearing of suspense accounts and reclassification of PAYE, UIF and Pension and correction of Anaka lease.

Accumulated surplus was adjusted by various corrections by an amount of R37 354 310 as detailed in this note.

Statement of financial performance

Other income was reduced by an amount of R660 410 due to reversal of finance charges on the Kwane Capital Pty Ltd lease and correction of incorrectly accrued interest on investments - call accounts.

Employee cost of R1 365 351 and remuneration of councillors R52 028, travel and subsistence initially recognised was reclassified to travel vote. Employee related costs were increased in the prior year by a net amount of R64 454 due to salary adjustments incorrectly recorded in the prior year 2017-18.

Debt impairment was reduced by R8 168 213 arising from correction of Kwane Capital lease and a further R2 741 278 arising from reclassification of debt ipairment into contracted services. Amounts paid to contracted debt collector for collection of receivables were incorrectly classified under debt impairment.

Depreciation in the prior year was restataed. The municipality engaged service providers to compile a Property Plant and equipment register. All Municipal assets were assessed according to all relevant GRAP standards and adjustments were made retrospectively. The amount of adjustment to depreciation was R5 601 347

Correction of an expense relating to finance lease obligation to creditors. The amount of the adjustment was R109 215.

Debt ipairment was reclassified.Reclassification of contracted services debt collection incorrectly recorded as debt

38. PRIOR PERIOD ERRORS (continued)

impairment in the prior year of R2 741 278.Other corrections relating to the Kwane lease were also posted. The amount of adjustment was R8 168 213.

An amount of R1 084 169 was reclassified from repairs and maintenance to general expenses

Various expenses were reclassified within general expenses

Disclosure notes

Commitments disclosures were adjusted by a net amount of R4 141 144 due to completed PPE erroneously not transferred from commitments (R11 935 152) and correction of previously omitted PPE commitments (R15 397 290)

Irregular expenditure disclosure in the prior year was split to include irregular payments relating to prior year discovered in the current year. Furthermore the prior period amounts were revised an adjusted with an amount of R 3 346 798.29 relating to transactions that were not included in the Irregular Expenditure amount as was disclosed

Unauthorised expenditure was revised to R 47 526 053 due to the corrections made to the prior year amounts and the actauls on the CAPEX that were incorrectly calculated.

The correction of the errors resulted in adjustments as disclosed in note 39:

39. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		125,695	(5,076)	120,619
Receivables from non exchange transactions		6,439,893	4,642,388	11,082,281
VAT receivable		3,245,256	666,466	3,911,722
Investment property		45,832,000	6,695,729	52,527,729
Property plant and equipment		450,691,129	24,238,325	474,929,454
Intangible assets		853,244	(184,348)	668,896
Payables from exchange transactions		(18,962,598)	1,300,825	(17,661,773)
Accumulated surplus		(489,555,917)	(37,354,310)	(526,910,227)

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Reclassificati on	Restated
Employee related costs		(31,365,084)	(64,454)	1,365,351	(30,064,187)
Remuneration of councillors		(10,933,537)	-	52,028	(10,881,509)
Depreciation and amortisation		(19,639,810)	(5,438,376)	-	(25,078,186)
Other income Interest accrued		1,477,559	(660,410)	-	817,149
General expenditure		(59,374,000)	377,682	(2,501,548)	(61,497,866)
Debt Impairment		(13,331,066)	5,426,934	2,741,279	(5,162,853)
Finance costs		(378,266)	109,215	-	(269,051)
Contracted services		(41,244,602)	-	(2,741,278)	(43,985,880)
Repairs and mainenance		(3,827,035)	-	1,084,168	(2,742,867)
Impairment loss reversal		(1,186,507)	1,186,507	-	-

	2019 R	2018 R

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified refer to prior period adjustment note 39

41. RISK MANAGEMENT

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Current Account (Primary Bank Account) - ABSA Acc. No 407801332	20,527,537	5,834,290
Other short-term investments	17,987,483	32,773,012
Receivables	18,562,700	10,591,178

These balances represent the maximum exposure to credit risk.

42. GOING CONCERN

We draw attention to the fact that at June 30, 2019, the municipality had a deficit for the year of R (16,165,996) The municipality's total assets however exceeded its liabilities by R 510,590,932.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to allocate funding for the ongoing operations for the municipality.

43. UNAUTHORISED EXPENDITURE

	2019	2018
Unauthorised expenditure	165,882,234	118,356,181
Unauthorised expenditure current year	58,209,123	47,526,053
	-	-
	-	-
	224,091,357	**165,882,234**

Unauthorised expenditure is due to the overspending of the total amount appropriated for a vote in the approved budget.

43. UNAUTHORISED EXPENDITURE (continued)

i) No criminal or disciplinary steps were taken after investigation process.

Ii) No material losses have been recovered.

44. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure - opening balance	1,984,163	1,919,372
Current year	289,695	64,791
	-	-
	-	-
	2,273,858	**1,984,163**

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts. Investigations are ongoing.

i) No criminal or disciplinary steps were taken after investigation process.
Ii) No material losses have been recovered.

45. IRREGULAR EXPENDITURE

Opening balance	391,153,520	296,680,732
Add: Irregular Expenditure prior year identified in current year	47,040,539	-
Add: Current year irregular expenditure	12,200,430	94,472,788
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	450,394,489	**391,153,520**

Analysis of expenditure awaiting condonation per age classification

Current year	59,240,969	94,472,788
Prior years	391,153,520	296,680,732
	450,394,489	**391,153,520**

Deviation incidents

	Disciplinary steps taken/criminal proceedings	
Final approval on quotations were not made by delegated official - SCM reg 5	Under investigation	2,650,550
The preferential point was incorrectly calculated -PFR 6	Under investigation	560,489
Extension of contract without approval - MFMA sec 116	Under investigation	9,415,084
No competitive bidding process was followed - SCM reg 19	Under investigation	29,426,138
SCM reg 32 - Contracts	Under investigation	12,664,735
Evaluation criteria inconsistently applied - SCM reg 21	Under investigation	316,301
Bidders failed functionality but were awarded tender SCM reg 28	Under investigation	3,834,389
		58,867,686

46. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

SALGA

Opening balance	-	-
Current year subscription / fee	500,000	500,000
Amount paid - current year	(490,000)	(475,000)
Discount received	(10,000)	(25,000)
	-	-

Audit fees

Current year subscription / fee	3,183,015	3,888,910
Amount paid - current year	(3,183,015)	(3,888,910)
	-	-

Audit fees balance include interest levied.

PAYE and UIF

Opening balance	(320,919)	-
Current year subscription / fee	7,178,409	6,124,050
Amount paid - current year	(7,376,266)	(6,444,969)
Amount paid - previous years	202,856	-
	(315,920)	**(320,919)**

Pension and Medical Aid Deductions

Opening balance	26,033	20,355
Current year subscription / fee	8,714,468	7,734,380
Amount paid - current year	(9,204,729)	(7,734,380)
Amount paid - previous years	(8,678)	-
	(472,906)	**20,355**

VAT

VAT receivable	8,831,614	3,911,722

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

47. REPAIRS AND MAINTENANCE

Categories of repairs and maintenance		
Machinery and Equipment	271,478	59,900
Roads Water & Electrical	387,534	515,372
Land and Buildings	765,105	1,151,452
Transport assets	798,177	1,016,142
	2,222,294	**2,742,866**

48. BUDGET DIFFERENCES

Material differences between budget and actual amounts

	2019 R	2018 R

48. BUDGET DIFFERENCES (continued)

A: Several leassees terminated their contract during the year, the budgeted amounts were based on all rental properties expected income. Furthermore, the Municipality did not effect the 10% annual rental escalation rate, had it been applied, the tenants lost would have been compensated by the escalation fee

B: Inappropriate budgeting for interest on rental income based on the outstanding debtors in the debtors' book.

C: The increase in other income was due to revenue from insurance claims being paid. Furthermore – there was inappropriate budgeting for other income as sources identified for other income as per budget were not relevant to the municipality

D: Delays in capital expenditure relating to grants resulted in delays in withdrawals from the investment account which in turn resulted in higher interest being earned.

E: Inappropriate budgeting for rates as the budget was not based on the tariffs which were to be charged during the year. Unfavourable variance due to unexpected changes in the supplementary valuation roll.

F: Operational related government grants were incorrectly budgeted, furthermore; the budgeted transfer and subsidies were not as per DoRA allocation as there was an increase in the allocation.

G: Capital related government grants were incorrectly budgeted, furthermore; the budgeted transfer and subsidies were not as per DoRA allocation as there was an increase in the allocation.

H: Employee related costs decrease variances was due to non-filling of senior management vacant posts.

I: The budgeted amounts were based on anticipated upper limits however the municipality did not implement the upper limits.

J: Budgeting on depreciation was based on the old asset register, however the municipality engaged a service provider to re-construct a new asset register which several assets were impaired resulting in less than anticipated depreciation amounts.

K: Impairment was not budgeted for, however due to the reconstruction of a new fixed asset register, the need to impair was observed hence an increase in impairment.

L: Not/applicable material

M: The increase in debt impairment was due to non-payment of services by consumer, which was not expected hence it necessitated the need to impair all long overdue accounts.

N: The main reason for the variance in repairs and maintenance is due to the misclassification of expenditure within the budget between general expenditure, contracted services and repairs and maintenance.

O: The reason for a reduction in contracted services was due to a cut in spending on several services that were previously being done by contractors, such as contractor/consultants to assist with VAT services as well as Annual Financial Statements preparation. These services were being done in-house

P: The variances on Transfer and subsidies are due to inappropriate budgeting where transfer and subsidies items were previously classified as general expenses.

Q: The variances on General expenses are due to inappropriate budgeting were other expense items as well as transfer and subsidies items were previously classified as general expenses. The reclassification of these expense items resulted in a decrease in the general expense total expenditure.

R: The main reason for the variance is due unforeseen events where assets were verified for existence and condition re-assessed, all the assets that were not in good conditions were disposed of, hence the variance between the budgeted amounts and the actual expenditure.

	2019 R	2018 R

48. BUDGET DIFFERENCES (continued)

S: The main reason for the variance is due to is re-assessment of the market value of all the investment properties.

T: The variance is due to inappropriate budgeting.

U: The variance is due to inappropriate budgeting.

V: The variance is due conditional grants ring fenced taking time to be withdrawn due to community unrest as some projects could not proceed, hence the monies were still lying at the bank unused.

W: The variance is due to re-construction of the municipal fixed asset register.

X: The variance is due to re-construction of the municipal fixed asset register.

Y: The variance is due to re-construction of the municipal fixed asset register.

Z: The variance is due to lack of progress on primarily MIG projects which were temporarily halted as a result of community unrest. The municipality did not expect to be lagging regarding implementation of MIG projects and all other projects that are conditional grant funded

AA: The municipality did not expect the municipality landfill site to increase due to powers and function of the district and the local municipality. The municipality expected the matter of ownership to have been resolved on by the date of reporting.

AB: The variance is due to inappropriate budgeting

AC: The variance on accumulated surplus is due to prior period errors, misstatement and other variances corrections.